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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 20 2003

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#### **Report Highlights:**

Canada's BSE Investigation Continues \* By-Products Shipped to U.S. Pet Food Company May Have BSE Link \* Louisiana Asks Retailers to Look for Canadian Beef \* Canada Considering New Cattle Slaughter Rules \* Rendering Business Feels Effects of BSE \* Food Fortification Policy Timetable \* Western Canadian Farmers Switching out of Feed Grains \* Monsanto Canada Declines to Withdraw Regulatory Approval \* CWB Pool Deficit Possible If PROs Continue to Drop \* 2002 Net Farm Income Drops Almost 11% \* Ag Canada Introduces 'Greencover Canada' Program \* Canadian Grain Commission Revises Grading Standards \* Seeding Catching Up, Western Canadian Crop Outlook Good \* Canada Welcomes Interim WTO Decision on Softwood Lumber ... and MORE!

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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**CANADA'S BSE INVESTIGATION CONTINUES:** The Canadian Food Inspection Agency (CFIA) is vigorously pursuing its BSE investigation which is centering on the trace-back, and trace-forward aspects of the animal and the trace-forward aspect of the distribution of animal feeds associated with the rendering of the infected cow. To date, the CFIA has quarantined 17 herds in three provinces totaling about 2,000 animals and has depopulated, sampled and tested almost 400 cattle. The USDA has dispatched a technical team to Canada to assist in the ongoing BSE investigation by Canadian animal health authorities. Three herds in British Columbia were quarantined after investigation identified feeding practices which may not have respected Canada's own ban on feeding material from ruminants to other ruminants. The CFIA issued a public information notice regarding dog food. Its investigation has indicated that meat and bonemeal potentially containing material from the infected cow was used in the production of dog food.

**BY-PRODUCTS SHIPPED TO U.S. PET FOOD COMPANY MAY HAVE BSE LINK:** The U.S. Food and Drug Administration (FDA) recently announced that a U.S. pet food firm was shipped by-products which may have included rendered material from the Canadian BSE positive cow. Even though there is no known risk to dogs from eating this dog food, as a prudent measure to help assure that the U.S. stays BSE free, the company is recalling the product so that the dog food will not mistakenly be mixed into cattle or other feeds within the United States. FDA is working closely with the pet food company to ensure proper disposal of the recovered product. For more detail see the FDA website at: [www.fda.gov](http://www.fda.gov)

**LOUISIANA ASKS RETAILERS TO LOOK FOR CANADIAN BEEF:** Following Canada's confirmation of BSE in an Alberta beef cow, Louisiana Commissioner of Agriculture and Forestry, Bob Odom asked Louisiana restaurant and food outlet owners to survey for Canadian beef and beef products in their inventories. According to reports, no Canadian beef has yet been found. In a press release, the Commissioner said that "Louisiana is a state well known for its cuisine and we will take every action possible to insure that we maintain the highest quality of our food supply. At the same time we are confident that the USDA has responded properly and that the problem found in Canada has not migrated into the United States". He added that state veterinarians and other officials are continuing to work closely with the USDA in monitoring the situation. So far, Louisiana is the only state known to search for Canadian beef on its shelves and inventories.

**CANADA CONSIDERING NEW CATTLE SLAUGHTER RULES:** While all indications are that the Canadian public has not panicked over the single case of BSE in Alberta, the federal

government is reportedly looking at imposing tighter controls in cattle packing plants, particularly the practice of cutting through the backbone of slaughtered cattle. Karen Dodds, director-general of Health Canada's Food Directorate, told reporters that Health Canada scientists and inspectors are now revisiting "all the policies and practices" involving the cattle industry. According to the press reports, most European countries put strict safeguards in place to ensure that the spinal column remains intact during the slaughtering process following the outbreak of BSE in Britain in the late 1980s. However, the current practice in Canada and the United States of splitting the carcass in half allegedly allows a risk of contaminated spinal matter being mixed in with beef for human consumption during the slaughtering process.

**RENDERING BUSINESS FEELS EFFECTS OF BSE:** The U.S. ban on the importation of all live ruminants (such as cattle, sheep, goats, cervids, camelids), ruminant meat, ruminant meat products, and other ruminant products from Canada is impacting Canadian renderers who ship significant quantities of rendered product such as tallow, meat and bone meal to the United States. According to press reports, deadstock operators in western Ontario stopped collecting cattle carcasses on farms and in Manitoba, Rothsay, a division of Maple Leaf Foods, has reportedly stopped rendering cattle carcasses and offal from processing plants in Manitoba. Estimates place the value of Canada's rendering industry at about \$500 million annually.

**NO SPECIAL PROGRAM FOR LAID OFF PACKING PLANT WORKERS:** Canada's Human Resources Minister Jane Stewart said this week that there will be no special treatment for beef industry workers left jobless by Canada's first outbreak of mad-cow disease. More than 1,000 meat packers in have been laid off since the BSE crisis began and workers and unions are calling for a waiver of the usual two-week waiting period for unemployment insurance benefits, a rule that was recently waived for individual who were quarantined during Toronto's Sudden Acute Respiratory Syndrome (SARS) outbreak. The Minister said that SARS cases were considered extraordinary, in that individual were quarantined and could not leave their homes to pursue alternate income sources.

**McDONALDS REASSURES CANADIAN CUSTOMERS:** Following the discovery of BSE in a western beef cow, McDonald's Canada assured its Canadian customers that all McDonald's hamburgers are made with 100% pure beef, sourced from a variety of different federally inspected Canadian suppliers, with a small portion coming from Australia and New Zealand. However, to prevent supply disruption, the company has reportedly been importing U.S. beef into Ontario and Alberta as part of a contingency supply plan because of mad cow disease.

**FOOD FORTIFICATION POLICY TIMETABLE:** The Honorable Anne McLellan, Minister of Health, has announced the next round of consultations with stakeholders on Canada's new food fortification policy. A meeting will take place in Ottawa on June 23, 2003. The Minister also announced a deferral of pending decisions on specific food fortification requests until the fall of 2003. Health Canada (HC) announced its intention to revise Canada's food fortification policy in 1998 in response to concerns from the food industry and consumers that the existing regulations are overly restrictive. In fact, certain U.S. food manufacturers must do separate

production runs for food product sales to Canada where U.S. and Canadian levels of fortification of vitamins and minerals differ. The new policy will use a new reference value, the Tolerable Upper Levels of Intake (UL), a recently-established threshold to assess exposure of the population to intakes that pose a risk to health. The ULs were established by panels of experts, including Canadian scientists, working with the U.S. Institute of Medicine (IOM). HC, the FDA and the USDA jointly commissioned the IOM to study the issue of how to use the new ULs in determining nutrition policy and regulations. The IOM advice is due by the end of September 2003. HC's timetable for the new policy after that is: October 2003: analyze the advice from IOM and, if necessary, adjust the revised policy accordingly; Late Fall 2003: release a report on the proposed revised policy for final input from stakeholders prior to preparing the regulatory proposal; and January 2004: publish the proposed regulations in Canada Gazette Part I.

#### WESTERN CANADIAN FARMERS SWITCHING OUT OF FEED GRAINS TO CANOLA:

According to industry sources, for Canadian grain growers, the development of bovine spongiform encephalopathy (BSE) has been negative for feed grain prices. Many farmers in Alberta and Saskatchewan are reportedly trying to shift acres into canola and away from silage and feed grains as a result of the uncertain cattle market. Growers are having trouble finding canola seed however, and seeding is running at full steam now that the weather has improved. *Comments: the combination of surplus moisture conditions in many parts of western Canada delaying seeding now together with the discovery of BSE is prompting some growers to consider seeding to oilseeds such as canola.*

**CWB ASKS MONSANTO TO PUT THE BRAKES ON ROUNDUP READY WHEAT:** In a May 22 letter from the Canadian Wheat Board (CWB), Board of Directors Chair Ken Ritter and Adrian Measner, President and CEO, asked Monsanto Canada's President, Peter Turner, to withdraw Monsanto's application for an environmental safety assessment of Roundup Ready wheat (RRW). Monsanto's RRW application is currently before the Canadian Food Inspection Agency. The letter detailed the devastating economic impact the introduction of RRW will have on western Canadian farmers. "Economic harm could include lost access to premium markets, penalties caused by rejected shipments, and increased farm management and grain handling costs," the letter states. The CWB has asked Monsanto to confirm its compliance with the CWB's request by June 27, 2003. The CWB has already called on the federal government to close the regulatory gap on genetically modified wheat by adding a cost benefit analysis to the food, feed and environmental assessments currently being undertaken on RRW. However, the CWB is taking this additional step because RRW could be approved before the introduction of any regulatory changes. "Under the current system, RRW could be approved for unconfined release as early as 2004," Ritter said. "We had to move quickly, so we are appealing to Monsanto directly."

**MONSANTO CANADA DECLINES TO WITHDRAW REGULATORY APPROVAL:** The May 28 edition of *Agriline* reported that Monsanto Canada will continue to seek regulatory approval for GMO wheat despite a request from the Canadian Wheat Board (CWB) to withdraw its application, but maintains it will not release any varieties until GMO wheat is approved in the U.S., Japan, and Canada. The article states that approval could come as early as next year.

**CWB POOL DEFICIT POSSIBLE IF PROs CONTINUE TO DROP:** According to the May 23 edition of *Agriline*, the Canadian Wheat Board (CWB) 2002/03 wheat pool could be headed for a deficit if wheat prices continue to decline. Since peaking in October, the CWB's estimate for wheat prices has fallen steadily by C\$54 to C\$69/tonne. The margin between initial and adjustment payments and the CWB's latest price outlook is razor-thin. The widest spread between initial payments and estimated final returns is just C\$3.50/tonne, for feed wheat. The margins for milling quality wheat range from C\$0.60 to C\$2.00. The spread for the top durum grades is about C\$45/tonne, feed barley C\$12 and malting barley C\$38-41.

**MALTING BARLEY STORAGE TEST UNDERWAY BY CANADIAN GRAIN INDUSTRY:**

According to the Canadian Wheat Board (CWB), research is currently underway to find an objective test to quickly, cheaply and accurately predict the long-term storage capability of individual lots of malting barley. The ability to determine a "best before" date for malting barley will benefit all sectors of the malting barley industry. Partners in the research project are the Canadian Grain Commission, Cargill, the Saskatchewan Wheat Pool, Agricore United and the CWB. The project, which will be completed by October 31, 2004, will assist the CWB in marketing western Canadian malting barley in world markets by enhancing Canada's ability to consistently meet precise quality specifications for germination capacity on shipments of malting barley.

**2002 NET FARM INCOME DROPS ALMOST 11%:** Statistics Canada reported that net cash income - the difference between a farmer's cash receipts and operating expenses - tumbled 10.6% to C\$7.7 billion in 2002 after setting a record high in 2001. Cash receipts fell for the first time since 1998 in the wake of back-to-back droughts, while higher feed grain costs drove up operating expenses. Western farmers experienced one of the poorest growing seasons in the past quarter-century in 2002. The situation for some growers in Alberta and Saskatchewan was worse than in the depression of the 1930s. Cash receipts from the sale of agricultural commodities and from program payments fell to C\$35.8 billion in 2002, down 1.5% from the record high in 2001 and the first decrease since 1998. Operating expenses rose 1.3% to C\$28.0 billion in the wake of higher feed grain prices. Still, net cash income was 11.7% above the previous five-year average from 1997 to 2001. Net cash income can vary widely from one farm to another because of factors such as commodities produced, prices and weather. The impact of last year's extreme weather conditions will continue to be reflected in farm financial statistics at least through the first half of 2003. For more information, visit: <http://www.statcan.ca/Daily/English/030527/d030527a.htm> For details on farm cash receipts in the first quarter of 2003, see: <http://www.statcan.ca/Daily/English/030527/d030527b.htm>

**AG CANADA INTRODUCES 'GREENCOVER CANADA' PROGRAM SIMILAR TO CRP:**

On May 16, Agriculture and Agri-Food Canada (AAFC) announced a new five-year, C\$110 million Greencover Canada program under the Agricultural Policy Framework (APF) to promote sustainable land use, and to expand the Canadian land base covered by perennial forage and trees. Greencover consists of four parts: Land Conversion, Critical Areas, Shelterbelts and Technical Assistance. The program will provide financial incentives for converting environmentally sensitive land to perennial cover, such as forage, shrubs and trees. Greencover's



Land Conversion element will provide incentives to convert land with severe limitations for the growing of annual crops, or land that is severely degraded due to wind and water erosion, salinization, or the loss of organic matter. Approved applicants must agree to seed converted land with approved perennial plants and enter into a 10-year land use agreement. Under the program, farmers will receive two one-time payments: (1) C\$20 per acre for seeding or planting tame forage or trees, or C\$75 per acre for seeding or planting native species; and (2) C\$25 per acre after perennial cover is established and inspected by Greencover Canada, and the farmers signs a 10-year land-use agreement. The program will approve up to a maximum of 640 acres. The program is similar to the U.S. conservation reserve program (CRP) brought in as part of the 1986 U.S. farm bill, designed to take marginal land out of crop production. Industry sources observe that the payment is not sufficient to attract any land except that which is already useless for crop production. Land owners have an incentive to seed sub-marginal land for a year in order to qualify.

**CANADIAN GRAIN COMMISSION REVISES GRADING STANDARDS FOR SPRING AND DURUM WHEAT:** On May 28, in Memorandum No. 2003-07 to the Canadian Grain Industry, the Canadian Grain Commission (CGC) announced that it had adopted the following grade revisions from the April 8 meeting of the Western Grain Standards Committee in order to address industry concerns related to differences between primary and export specifications: (1) Revised primary specifications for total foreign material in Canada Western Red Spring and Canada Western Amber Durum for total foreign material; (2) Revised primary specifications for contrasting classes of wheat and total wheats of other classes or varieties in Canada Western Red Spring; (3) Revised primary specifications for other classes and total wheats of other classes or varieties in Canada Western Amber Durum. In addition, the following changes are being implemented: (1) Revised tolerance levels have been established for No. 1 and No. 2 Canadian Western Amber Durum in order to address concerns expressed by foreign buyers regarding low falling number values and low amylograph values; (2) Revised tolerance levels have been established for No. 1 and No. 2 Canada Prairie Spring Red in order to protect the bread-making quality of the Canada Prairie Spring Red wheat class. The CGC notes that the above-mentioned changes to wheat grades are effective August 1, 2003. For additional information, visit: [http://www.grainscanada.gc.ca/newsroom/trade\\_memos/2003/2003-07-e.htm](http://www.grainscanada.gc.ca/newsroom/trade_memos/2003/2003-07-e.htm)

**SEEDING CATCHING UP, WESTERN CANADIAN CROP OUTLOOK GOOD:** The May 26 edition of *Agriweek* reported that moisture conditions continued to improve across western Canada last week, particularly in Manitoba which received its first heavy rainfall of the spring. Moisture is excessive in parts of Alberta and Saskatchewan. Seeding progress was made in all provinces as the weather turned warmer and drier. Work is nearly complete in Manitoba with good emergence, 69% in Saskatchewan, and 60-65% in Alberta. Work overall in the prairies is over 75% done and the season is not seriously delayed. Normal completion for late May would be about 75%. Besides late seeding west of Manitoba, germination and early growth have been delayed by unusually cool weather, but there should not be any adverse effect on yields. Overall, crop conditions are the best for this point in at least four years. Seeding will be complete in Manitoba by next week and could be substantially finished by June 1 in the other provinces if warm, dry weather prevails. A cold, late spring in southern Ontario has delayed planting and emergence of spring crops. As of May 28, according to the Ontario Ministry of Agriculture and

Food, corn planting was approximately 70% completed across the province with some counties consistently over 85% planted. Planting after late May adversely affects yields. Approximately 10-15% of the Ontario soybean crop has been planted in the southwest. In eastern Ontario many growers have planted a significant percentage of their soybeans. Soils have been cool and wet for May resulting in slow emergence of planted beans. Winter wheat is in good to excellent condition and above-average yields are expected. No disease or insect problems are reported.

**SASKATCHEWAN SEEDING PROGRESS NEAR AVERAGE:** According to Saskatchewan Agriculture, Food and Rural Revitalization's May 26 crop report, Saskatchewan farmers have seeded 69% of the 2003 crop. Farmers made significant progress last week and are nearing the five-year (1998-2002) average of 77%. All regions of the province report more than 55% seeded, with the northeast furthest advanced at 81% and the southeast least advanced at 57%. Only the Assiniboia area reports under 50% seeded, due to wet field conditions. Topsoil moisture conditions on crop land remain generally adequate, however, warm daytime temperatures and strong winds are drying out topsoil in many areas of the province. Topsoil moisture conditions are short mainly in the northwest. Almost 95% of crop reporters rate pastures in their area in fair to excellent condition, the exception being the northwest, where pastures vary from poor to very poor condition. Less than five percent of reporters indicate that their area has inadequate livestock water supplies – again mainly in the northwest. Weed control operations continue as weather conditions permit. Limited re-seeding is taking place for crops damaged by frost.

**CANADA WELCOMES INTERIM WTO DECISION ON SOFTWOOD LUMBER:** On May 27 International Trade Minister Pierre Pettigrew welcomed a World Trade Organization (WTO) panel's interim decision supports Canada's claim that Canadian provincial stumpage programs are not subsidies. "We expect more results from our WTO and NAFTA challenges to U.S. harassment of our exports in the summer and fall," said Pettigrew. "In the meantime, we remain open to resuming negotiations with the U.S. on the basis of a fair and reasonable settlement of the dispute." The WTO panel is expected to issue its final report on the U.S. subsidy determination in July 2003. Canada is also pursuing NAFTA and WTO challenges of the dumping and threat of injury determinations as well as a NAFTA review of the subsidy determination. According to media sources, Canadian officials and industry representatives said the decision should mean at least a steep reduction in the duties.

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